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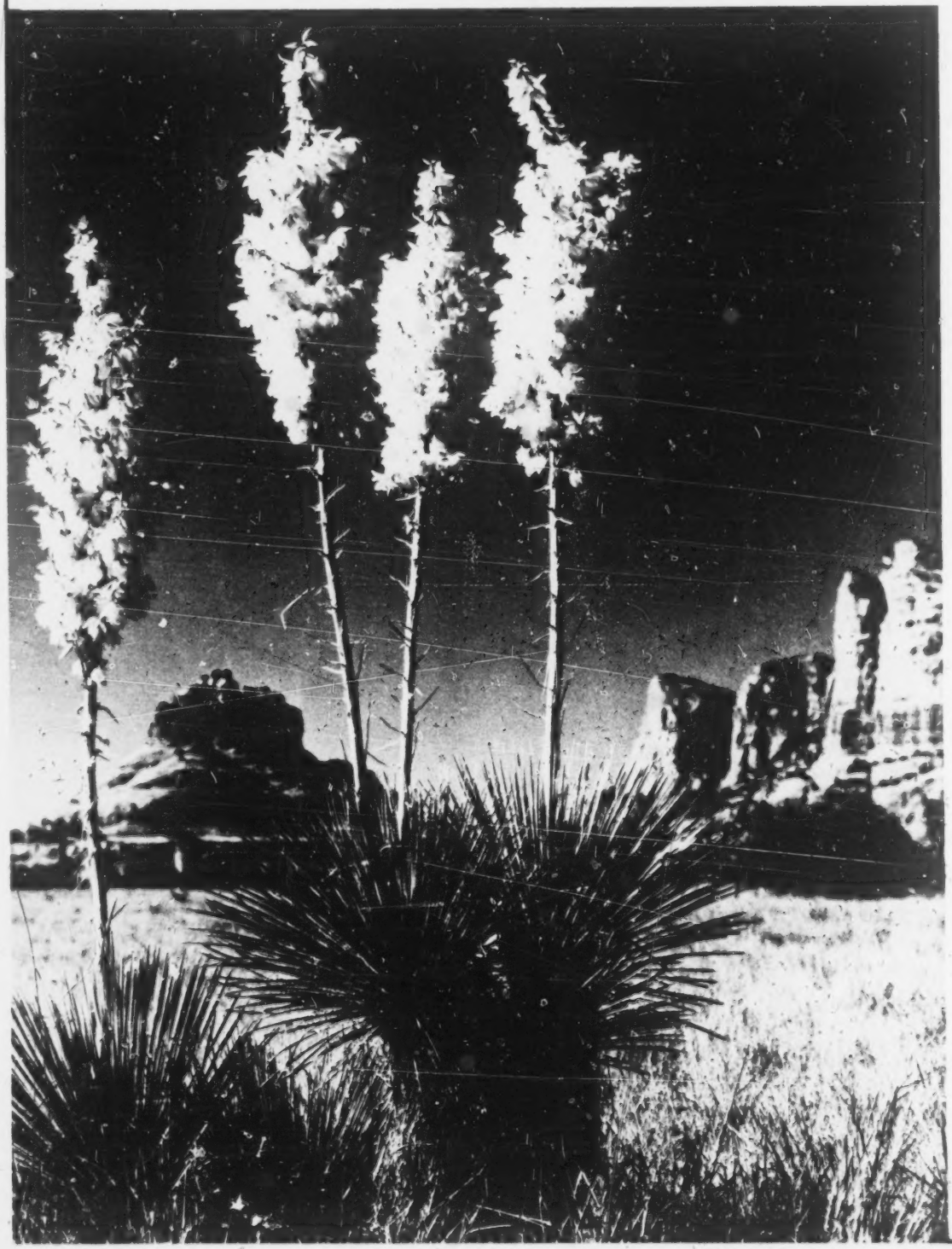
ARIZONA DEPARTMENT OF REVENUE



ANNUAL REPORT

1984-1985

ARIZONA DEPARTMENT OF REVENUE

J. Elliott Hibbs
Director

Bruce Babbitt
Governor

Dear Governor Babbitt:

The Department of Revenue's modernization began to pay dividends during the 1984-85 fiscal year with faster processing of tax returns and more efficiency in enforcement processes. We issued income tax refunds more quickly in 1984-85 than ever before, at a rate unsurpassed by any other state. The turnaround was less than two weeks for most taxpayers and less than 1% of refunds took longer than ten weeks to process. We are very proud of this accomplishment, but it was only one of many made during the fiscal year. Others included:

- Completing the first ever automated withholding and corporate tax processing systems and incorporating them into our automated billing program.
- Upgrading of the 10-year-old sales tax system also began. This new system allows errors to be corrected directly through terminals, rather than manually.
- Decentralizing computerization by installing minicomputers and giving auditors their first portable units. Portable computers allow sales tax auditors to issue a tentative assessment on the spot rather than having to spend days doing calculations. A minicomputer now enables the License and Registration Section to issue tax licenses over the counter, so taxpayers no longer must wait two weeks. We also use microcomputers to produce assessments automatically for two types of audits: one for early withdrawal of retirement funds, and one based on federal audits turned over to us. Work also began on using microcomputers to help identify the most lucrative targets for sales tax audits.

Another important milestone reached in 1984-85 was a fairer level of property values. The Property Valuation Equity Program mandated County Assessors to increase the appraisals of undervalued commercial and industrial properties. Such undervaluation had allowed those businesses to pay less than their fair share of property taxes at the expense of other types of property owners.

Modernization efforts throughout the Department, the property valuation improvements and other accomplishments reviewed on the following pages, made 1984-85 a productive year.

Sincerely,

J. Elliott Hibbs
Director

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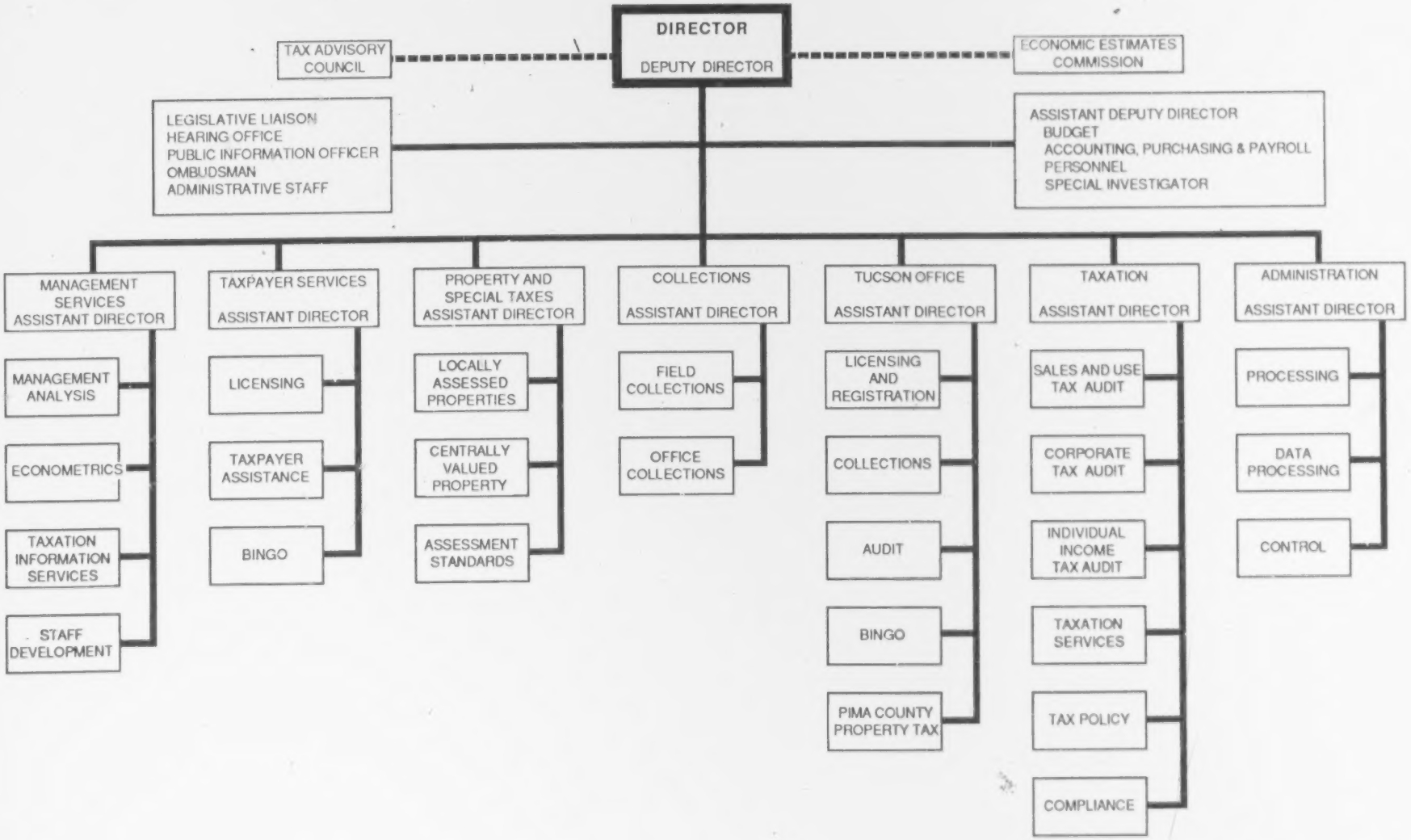
ARIZONA DEPARTMENT OF REVENUE
ORGANIZATION CHART 1984-85



ARIZONA DEPARTMENT OF REVENUE

1984-85 HIGHLIGHTS

TAX STANDARDIZATION BILL IS PASSED

The Legislature and Governor Babbitt approved a far-reaching tax simplification bill that will standardize many administrative procedures for major taxes handled by the Department of Revenue.

House Bill 2336, Chapter 366, will make the tax system easier starting in July 1 1986 by significantly reducing the differences in such items as filing requirements, the time period in which a refund can be claimed, the deadlines for protesting an audit, and the types and degrees of penalties.

The law also makes it easier to research the statutes on these provisions by putting them together in one area of Title 42. It covers administrative statutes for corporate income tax, individual income tax, withholding tax, sales tax, use tax, severance tax, luxury tax, rental occupancy tax and estate tax.

TAXATION

Audit Automation:

Arizona became one of the first states to use portable computers in the field audit process. Sales and Use Tax auditors are now conducting audits employing the computer from beginning to end allowing them to submit tentative assessments before they leave the taxpayer's office. Thirteen portable computers were brought on board in February. Since then, over 75 audits have been done using the computers with exemplary results. Based on the substantial success of the program, ten more units will be added in the next year resulting in an expected 25-30 percent increase in assessments over the next three years.

The Department was well on its way to using microcomputers in sales tax audit selection at year end. Input of most of the pertinent data has been done. This system will greatly refine the selection process since it can rapidly recall all accumulated statistical data on any sales tax account.

Individual Income Tax Audit has successfully automated specialized audits, including those on early withdrawal of retirement funds and federal notices of audit change, by using personal computers. This improvement has increased audit accuracy, reduced clerical time auditors spent transferring information from research sheets to actual audit workpapers, and saved time for support personnel through more useful reports.

A refined audit selection program is now being used for corporate income tax which pinpoints which audits will be most effective.

TABLE 1
GROSS COLLECTIONS OF AUDIT ASSESSMENTS AND DELINQUENT TAX
1983-84 AND 1984-85

	1983-84	1984-85	% Change
Phoenix Audit[1]			
Assessment Collections	$38,379,451	$30,697,175	(20.02)
Fair Share[2]	643,218	----	----
Erroneous Refund Claims Denied[3]	----	4,907,803	----
Sub-Total Phoenix	39,022,669	35,604,978	(8.76)
Tucson Audit			
Assessment Collections	9,095,470	15,547,442	70.94
Fair Share	2,280,000	3,988,438	74.93
Sub-Total Tucson	11,375,470	19,535,880	71.74
TOTAL AUDIT UNIT COLLECTIONS[4]	$50,398,139	$55,140,858	9.41
TOTAL BILLINGS[5]	$24,314,647	$11,343,065	(53.35)
Collections of Delinquent Tax			
Phone & field (Phoenix)	$26,836,568	$42,240,530	57.40
Phone & field (Tucson)	22,553,998	27,501,658	21.94
Liquor enforcement	3,120,778	3,057,166	(2.04)
Other collections	888,922	3,669,701	312.83
TOTAL DELINQUENT TAX COLLECTIONS	$53,400,266	$76,469,055	43.20
TOTAL GROSS ENFORCEMENT COLLECTIONS	$128,113,052	$142,952,978	11.58

1 Includes estate and luxury taxes.
2 Fair Share was discontinued as a unit in 1983-84. The enforcement programs were absorbed by the Sales and Income Audit Units.
3 In 1984-85, separate statistics were kept to show the dollar value of erroneous refund claims denied by the Phoenix Audit Programs.
4 Some collections of the audit unit are also included in delinquent tax collections.
5 With expansion of phone collections, cases were worked sooner by Collections, shifting receipts from Billings to Collections.

City Program:

During the 1984-85 year, 64 cities participated in the Department's auditing and collection program. Carefree, Bullhead City, and PineTop-Lakeside joined this year, while Lake Havasu City returned to the program after a brief absence. Next fiscal year, the State Treasurer will electronically transfer city taxes directly to each city's bank account saving processing and handling time.

Tax Protestor Audit Program:

In fiscal year 1984-85, the Protestor Audit program was broadened to increase compliance and insure collection of the tax, penalty and interest. A Tax Protestor Coordinator was appointed to oversee and expand the program.

One of the first actions taken was to bypass the administrative process on repeat offenders. The assessments are now prepared, usually for multiple years, and referred for prosecution at the Superior Court level. The Tax Protestor Coordinator also initiated a separate program with the Attorney General's office, through which all returns classified as "Erroneous Refunds" are referred immediately to their office for prosecution at the Superior Court level.

To date, six cases have been successfully prosecuted. Each case resulted in a judgment for tax, penalty and interest plus the full $1,000 penalty for each year involved (these are usually multiple year cases). In cases where the taxpayer fought the complaint, the court also awarded court costs and attorney fees. One such case resulted in the receipt of over $14,000.

At the present time, six more multiple-year cases are ready to be filed and a minimum of 50 cases are in the working stage.

Tax Policy Section:

The Tax Policy Section, created this year from the former Tax Policy Group, brings together technical expertise from sales, individual income, and corporate income tax audit. Originally formed to write administrative regulations, the expanded section will now also be charged with writing rulings, responding to technical correspondence, and analyzing and implementing legislative proposals.

Unclaimed Property:

A new law (A.R.S. 44-330) authorized the Department to examine holders of unclaimed property as of 1/1/84. Fiscal year 1984-85 was the first full year of audit operation. A net collection of $304,022 was generated from 53 unclaimed property audits.

An improved procedure for issuing and tracking assessments and audits of unclaimed property was implemented this year.

TUCSON OFFICE

During the fiscal year 1984/85 the Tucson office made several improvements.

Automation is rapidly transforming the Tucson Division. New computer systems have been implemented in Taxpayer Services, Fair Share and Audit to help increase productivity and cut down on man hours. Licensing also received an on-line terminal which allows taxpayers to receive licenses when they apply instead of the former two week waiting period. Other improvements now found in Tucson include the creation of an assessment desk, bankruptcy desk, lien desk, levy desk and maintenance desk which give specialized attention to these revenue generating areas.

The completion of the basement at the Tucson state building added office space for several sections including property valuation, field collections, bingo, and taxpayer services.

1984-85 also brought a major change in status for the Tucson office as it was promoted to a Division within the Department, making it the Department's seventh division.

COLLECTIONS

With the advent of Collections as a Division, total collections increased by $16,581,166 over last fiscal year. An interagency agreement was developed between the Department of Economic Security and the Department of Revenue for an on-line system to assist Phoenix and Tucson collectors in reviewing employment data useful to our collection efforts. A cashier unit was created to improve efficiency and provide better service to taxpayers resulting in more effective billings.

An Automated Collection System was initiated in FY 1984-85 for more accurate billings and faster resolution of cases.

Other improvements included a mail service on levys implemented to cut costs, collection procedures developed for full compliance with all delinquent taxes, and more collections at the Arizona State Fair.

TAXPAYER SERVICES

License & Registration:

The fiscal year 1984-1985 brought dramatic changes in the appearance of the License and Registration Section. There were extensive improvements to the staff work areas, and the Customer Service area was transformed with the installation of a new counter and tax forms display case. Taxpayers can now select tax forms without waiting in line for assistance, and the new counter design provides more privacy for conducting business.

On-line licensing, initiated in June, is designed to improve service by allowing licenses to be issued "on the spot" to applicants who come in to the Phoenix office. On-line licensing speeds up processing by allowing all licensing activities to be done within the section.

Revision on a number of informational brochures for the public was completed. These include: "Starting a Business", a compilation of license requirements, "Guide to State Licensing", a directory to State Licensing agencies, and "Tax Bulletins" for various Sales Tax classifications (retail, use, contracting, etc.).

The annual production totals for the License and Registration Section show that 44,284 license applications were processed, 8,017 licenses were re-issued, 72,290 maintenance documents were processed, 78,000 telephone calls were answered, 14,300 people were assisted at the counter, and 89,716 forms requests were processed.

Bingo:

Section status was achieved in October 1984. Prior to October, the Bingo Licensing and Investigative Unit consisted of two investigators in Phoenix and one investigator in Tucson. It has since evolved to its current staffing level of six investigators and a secretary in Phoenix and three investigators and a secretary in Tucson. The following performance statistics are compiled from mid-September 1984 through the end of the Fiscal Year in June 1985:

The bingo section processed 89 new bingo license applications consisting of 20 large game applications and 69 small game applications; 687 bingo renewal applications consisting of 318 large game applications and 369 small game applications. A total of 2,862 quarterly financial reports were reviewed consisting of 1,090 large game and 1,772 small game.

Ninety compliance checks were conducted, 77 large licensee checks and 13 small licensee checks. The Section published four quarterly newsletters, was involved in 13 major investigations, and held ten public meetings during the fiscal year.

Enforcement action on complaints was composed of both voluntary and imposed sanctions. The complaints resulted in: criminal prosecution in two cases; one year voluntary license suspension in two cases; six month voluntary license suspension in one case; three month voluntary license suspension in one case; two month voluntary license suspension in one case; two week voluntary license suspension in one case; a voluntary license suspension on three occasions in one case; and a cancellation of the license in four cases (enforcement related).

Taxpayer Assistance:

Several improvements were made in the Taxpayer Assistance Section during fiscal year 1984 - 85. To improve quality and quantity of production, Taxpayer Assistance reorganized into smaller groups to allow for more efficient processing of inquiries.

A new telephone system which provides several features for improved communication and flexibility was installed. An automated inventory control system was designed, and a computer with word processing capabilities was installed for the system.

Taxpayer Assistance handled 14,272 personal visits by taxpayers; answered 224,110 telephone inquiries; received over 84,000 pieces of correspondence with 46,675 pieces regarding income, 15,838 regarding sales, 20,052 regarding withholding, and 1,771 regarding corporate taxes. The Section also received 16,075 telephone inquiries requiring further research regarding corporate taxes. A total of 114,457 taxpayer inquiries were received.

ADMINISTRATION

Licensing On-line:

The Department entered the mini-network environment with the implementation of the On-Line Licensing System in Phoenix and Tucson, providing over-the-counter licensing for sales tax and withholding tax. The number of terminals (CRTs) has increased to approximately 250 with a record transactions volume of approximately 80,000-100,000 daily indicating tremendous user response.

Property Tax System:

Data Processing implemented two property tax on-line systems for centrally valued and unsecured personal property. The two systems will assist County Assessors working on-line within their own county offices.

Sales Tax System:

The rewrite of the Sales Tax System was started in January 1985 to implement recently enacted legislative requirements and will provide on-line error resolution. The new system will replace a ten-year-old system and will take advantage of newly installed hardware and software.

Tax Billings:

The Withholding and Corporate Tax Systems were incorporated into the automated billing system this year giving the taxpayers more accuracy and uniformity in the billings they receive. The billings and statement forms have been color-coded so the taxpayer and DOR can quickly distinguish which tax is involved.

Individual Income Tax:

Issuance of income tax refunds during 1984-85 reflected improvements in the document processing flow. The first refund warrants were issued the week of January 7, and a turn-around of 10 days to 2 weeks was maintained on processable refunds until the peak of the season in April. Less than one percent of refund returns required over ten weeks to process.

Microfilming:

Procedural changes were implemented to change the flow of documents through the processing stream. This enabled staff to quickly process corporate and individual income tax documents, improve the quality of microfilm and insured a more complete and accurate file, readily accessible to staff for assisting taxpayers and improving audit/collections.

Record Retention:

The Department acquired a modern warehouse facility with open shelving to ease retrieval of active taxpayer files.

PROPERTY AND SPECIAL TAXES

Assessment Standards:

Major activities of the Assessment Standards Section during 1984-85 included maintaining appraisal and assessment manuals for the property tax system, developing models and enhancements to the sales-based appraisal systems, maintaining appraisal performance of the County Assessors, and conducting the Department's appraiser training and certification program.

Additionally, the Rental Residential Property Identification Project, mandated by the Legislature in 1984, was administered by the Assessment Standards Section with assistance from the Locally Assessed Property Section. That project involved a mail survey of owners of approximately 500,000 residential properties to determine the proper classification for rental residential properties. Correct classification of residential property is imperative because owner-occupied residences are assessed at a lower rate (10%) than rental residential properties (17% for 1985). Classifications for approximately 44,000 residential properties were changed to rental residential as a direct result of that survey. Classifications for many other rental residential properties were corrected by the County Assessors as a result of inquiries from property owners and are not included in that number.

The Section administered implementation of the Property Valuation Equity Program, an historic and far-reaching move to improve fairness in property taxation.

The Program mandated County Assessors to increase property tax values for commercial and industrial property that has been appraised far below its market value. When it was undervalued, homeowners, ranchers and all other types of property taxpayers had to pay extra taxes because businesses didn't pay enough.

The controversial Program led the Legislature to retain independent experts who studied the Department's actions and endorsed them. The Program also was upheld in Superior Court, which acknowledged that the Department has the authority to determine standards for appraisals.

Preliminary results showed substantial improvement in general appraisal levels for commercial and industrial property. Continued efforts are required, however, to achieve and maintain values that are in full compliance with the standards established by Arizona Law.

Locally Assessed Properties Section:

Land reviews in Cochise and Coconino counties were completed with a total of 61,789 parcels appraised. Personal property audits were also completed in seven (7) counties. During Fiscal Year 1984-85, approximately 12,491 hours were spent by the appraisal services unit in reviewing and assisting the counties in field work, appraisal problem areas, and over 15,000 requests for changes in tax bills. In addition, over 1,958 hours were spent in preparation of court cases and board hearings.

The special projects completed included appraising 67 commercial properties using the new cost system and 400 hours spent implementing House Bill 2406 pertaining to rental residential property.

Centrally Valued Properties Section:

Appraisal of Centrally Valued Properties (natural resources, utilities, and railroads) resulted in values of $736 million for natural resources and $11.5 billion for other properties. This represents a 12% increase over last year's values.

The audit unit performed desk audits on 400 water utilities representing over 450 separate domestic water systems. Audits were also performed on all major airlines operating in the state as well as 250 private rail car systems.

MANAGEMENT SERVICES

Training:

Training services, formerly a one-person activity, expanded with the addition of three trainers and two procedures analysts. Tax practitioner workshops continue to draw substantial attendance as programs are offered in Flagstaff, Tucson and Phoenix. Over 1,000 tax practitioners attended the workshops.

Forms:

During 1984-85 all the external forms of the Department were completely cataloged. The Unit acquired a mini computer which will be used to maintain a perpetual inventory of all critical forms and taxpayers notices. Legislative changes continue to require significant forms revisions.

The direct mailing of income tax related forms was expanded to include non-resident forms and corporate income tax forms as well as a mailer to all landlords on the property tax credit/renter's tax credit law changes requiring parcel tax number and property tax factor. The mini-computer has the capacity to typeset forms and will be able to prepare most camera-ready typesetting internally at a savings of $6,500 per year.

Taxation Information Services:

This unit's activity increased approximately 500% during 1984-85. The increase was handled without any increase in staff.

New systems were developed and implemented for the electronic processing of withholding and corporate tax returns which include math and data validations, automated correction notices and interfacing with the accounts receivable system..

These two new systems have replaced previous manual systems and have significantly increased the detection of taxpayer errors and reduced response time to taxpayers.

The sales tax processing system required a complete re-write due to legislative changes. The new program is required to accommodate the new accounting allowance and reporting as well as 574 different splits of the sales tax dollar, 14 different rate tables and four different due date tables. Included in its design is a custom tailored return specifically printed for each taxpayer, delinquency returns, a complete math and data validation program, an automated correction notice and interface with the accounts receivable system. This system was implemented with the July 1985 return.

REVENUE SUMMARY
TABLE 2
GROSS REVENUE COLLECTED

SOURCE	1980-81	1981-82	1982-83	1983-84	1984-85
SALES AND USE TAX					
Transaction Privilege	$ 315,333,779	$ 339,048,243	$ 357,098,095	$ 573,263,082	$ 714,985,004
Education Excise	306,054,592	326,825,752	349,085,972	407,185,512	469,143,800
Special Education	114,897,883	125,120,498	125,845,679	142,108,189	152,658,057
Use	14,016,182	13,795,054	15,702,202	20,807,747	27,423,193
Bingo	159,422	276,216	388,758	415,224	412,285
Rental Occupancy	241,993	113,272	76,651	74,595	112,958
Subtotal	750,703,851	805,179,035	848,197,357	1,143,854,349	1,364,735,297
INCOME TAX					
Withholding	325,366,394	417,219,768	400,596,831	418,869,050	520,151,450
Individual	133,503,187	150,867,216	195,584,283	231,658,295	254,354,660
Corporation	130,378,605	122,024,168	169,039,740	207,341,166	215,436,786
Subtotal	589,248,186	690,111,152	765,220,854	857,868,511	989,942,896
LUXURY TAX					
Spirituous Liquor	13,593,465	13,482.032	13,890,962	14,600,111	17,049,450
Vinous Liquor	2,632,740	2,967,247	3,008,457	3,663,608	6,785,029
Malt Liquor	6,574,829	6,891,524	6,813,120	7,235,455	14,102,897
Tobacco - All Types	40,083,323	42,222,950	42,467,848	41,473,630	51,386,983
Licensing	755	2,245	1,300	1,475	1,575
Subtotal	62,885,112	65,565,998	66,181,687	66,974,279	89,325,934
ESTATE TAX					
Estate	10,139,409	12,637,301	12,492,305	12,978,900	15,302,387
Unclaimed Property	1,053,513	571,366	995,848	1,271,125	1,864,695
Escheated Estates & Unclaimed Dividends	104,974	190,328	367,969	303,102	169,676
Subtotal	11,297,896	13,398,995	13,856,122	14,553,127	17,336,758
FLIGHT PROPERTY TAX	5,585,255	3,217,110	2,290,785	2,782,822	2,679,799
PRIVATE CAR TAX	692,366	538,855	566,505	626,198	750,036
NUCLEAR PLAN ASSESSMENT	--------	300,000	968,456	573,751	410,515 ***
DEPARTMENT TOTAL	1,420,412,666	1,578,311,145	1,697,281,766	$2,087,233,037	2,465,181,235
STATE PROPERTY TAX *	84,349,439	88,393,124	77,626,564	80,218,027	54,989,232
TOTAL **	$1,504,762,105	$1,666,704,269	$1,774,908,330	$2,167,451,064	$2,520,170,467

* Deposited in the general fund by counties.
** All revenues including those which are eventually refunded or distributed to local governments; does not include municipal sales tax.
*** Received in July for fiscal year 84-85.

TABLE 3
NET REVENUE TO STATE GENERAL FUND

SOURCE	1980-81	1981-82	1982-83	1983-84	1984-85
Sales, Use & Severance Tax	$540,591,812	$580,882,821	$616,291,719	$854,824,687	$1,070,654,725
Income Tax	435,769,765	487,950,969	573,649,629	633,166,467	730,874,978
Luxury Tax	62,546,016	64,106,688	64,618,509	66,974,279	68,534,883
Estate Tax	10,554,080	12,569,641	13,123,774	13,568,050	16,384,988
Flight Property Tax	5,585,255	3,217,110	2,290,785	2,782,822	2,679,799
Private Car Tax	692,366	538,855	566,505	626,198	750,036
Nuclear Plan Assessment	---	300,000	968,456	573,751	410,515**
Department Total	1,055,739,294	1,149,566,084	1,271,509,377	1,572,516,254	1,890,289,924
State Property Tax*	84,349,439	88,383,124	77,626,564	80,218,027	54,989,232
TOTAL	$1,115,373,323	$1,140,088,733	$1,237,959,208	$1,652,734,281	$1,945,279,156

* Deposited in the State General Fund by counties.
** Received in July for fiscal year 84-85.

CORPORATE INCOME TAX

Major Features

Corporations use federal taxable income as a starting point to compute Arizona taxable income. In computing Arizona taxable income, a corporation may deduct Federal and Arizona income taxes paid. Corporate income tax is levied on Arizona taxable income at rates graduated from 2.5% on income under $1,000 to 10.5% on income over $6,000.

Arizona adopted the Uniform Division of Income for Tax Purposes Act (UDITPA) for corporations, effective January 1, 1984. The enactment of UDITPA more closely aligned Arizona's corporate income tax provisions with those of other states that have enacted UDITPA. House Bill 2285, passed during the 1985 Legislative Session, amended UDITPA to exclude from its provisions foreign corporations not subject to the corporate income tax. In effect, this bill imposed a "water's edge" limitation upon UDITPA.

Distribution

State income tax collections are shared with Arizona municipalities as Urban Revenue Sharing. Each year, 15% of net collections from two years prior is distributed to the cities and towns. The remainder is deposited in the state General Fund after amounts sufficient to pay refunds are deposited into the income tax fund.

INDIVIDUAL INCOME TAX

Major Features

Arizona income tax calculations use federal adjusted gross income as a starting point to compute taxable income. Individuals are allowed to deduct Federal and Arizona income taxes paid.

Individual rates are graduated from a minimum of 2% on individual income of $1,061, or joint income of $2,122, to a maximum of 8% on individual income over $6,366, or joint income over $12,732. Individual tax brackets are annually indexed to inflation.

The maximum allowable renter's tax credit for a full-year renter is 5% of the total rent paid, not to exceed $100. The residential insulation credit has been eliminated beginning in the 1984 tax year. The maximum solar energy credit allowed for the 1984 tax year was 30% of the cost of the solar device, not to exceed $1,000. This credit decreases at a rate of 5% of the cost of the device per year and is scheduled to expire after December 31, 1987. As of the 1984 tax year the property tax credit is capped based on the actual property taxes paid.

Arizona withholds individual income tax from wages at rates of 10%, 15%, or 20% of federal withholding -- the 20% being optional, 15% mandatory on wages of $15,000 or greater annually and 10% optional on wages less then $15,000. Beginning in 1985, individuals are not required to make estimated income tax payments. Anyone, however, can make estimated payments if they wish.

Tables in this section highlight income tax collections and distributions as well as two features of the individual income tax. Changes in exemptions, deductions and credits indexed to inflation are shown in Table 5. Several credits which directly reduce individual tax liability are shown in Table 6.

Distribution

State income tax collections are shared with Arizona municipalities as Urban Revenue Sharing. Each year, 15% of net collections from two years prior is distributed to the cities and towns. The remainder is deposited in the state General Fund after amounts sufficient to pay refunds are deposited into the income tax fund.

TABLE 4
ARIZONA INCOME TAX COLLECTIONS

Source	1980-81	1981-82	1982-83	1983-84	1984-85	Percent of Net Collections in 1984-85
Withheld from Wages						
Gross Revenue	$325,366,394	$417,219,768	$400,596,831	$418,869,050	$520,151,450	
Refunds and Charge-offs	94,284,939	128,524,187	114,510,586	123,334,520	146,748,025	
Net	231,081,455	288,695,581	286,086,245	295,534,530	373,403,425	45.07
Individual & Fiduciaries						
Gross Revenue	133,503,187	150,867,216	195,584,283	231,658,295	254,354,660	
Refunds and Charge-offs	454,084	578,098	954,771	485,298	1,513,779	
Net	133,049,103	150,289,118	194,629,512	231,172,997	252,840,881	30.52
Corporations						
Gross Revenue	130,378,605	122,024,168	169,039,740	207,341,166	215,436,786	
Refunds and Charge-offs	3,868,506	7,264,927	8,642,778	9,454,969	13,159,631	
Net	126,510,099	114,759,241	160,396,962	197,886,197	202,277,155	24.41
Sub-Total Net Collections	490,640,657	553,743,940	641,112,719	724,593,724	828,521,461	100.00
Less deposit to Urban Revenue Sharing Fund	54,870,892	65,792,971	67,463,090	91,085,500	97,206,149	
Distributed to:						
Contracted Collection Agency	----	----	----	22,315	58,257	
Wildlife Contributions	----	----	----	238,370	231,923	
Child Abuse Prevention Contributions	----	----	----	----	150,154*	
Net Revenue to State General Fund	$435,769,765	$487,950,969	$573,649,629	$633,247,539	$730,874,978	

*Effective for tax years beginning from and after December 31, 1984.

TABLE 5
EXEMPTIONS, DEDUCTIONS & CREDITS INDEXED TO INFLATION

Tax Year	Personal Exemption	Blind Exemption	Age 65 and Over Exemption	Dependent Exemption	Standard Deduction %	Standard Deduction Limit[1]	Maximum Renter's Credit	Maximum Property Tax Credit
1977 (base year)	$1,000	$500	$1,000	$600	10	$500/$1,000	$50	$225
1978	1,101	551	1,101	661	11	551/1,101	83[2]	248
1979	1,226	613	1,226	736	12	613/1,226	92	276
1980	1,422	711	1,422	854	14	711/1,422	107	320
1981	1,589	795	1,589	954	16	795/1,589	120	358
1982	1,729	865	1,729	1,038	17	865/1,729	130	389
1983	1,759	880	1,759	1,056	18	880/1,759	132	396
1984	1,834	917	1,834	1,100	18	917/1,834	100[3]	413[4]

[1] Amounts shown are for individual and married-filing-jointly returns.
[2] Base for renter's credit changed to $75 in 1978.
[3] As of the 1984 tax year the renter's tax credit is 5% of rents paid or $100, whichever is less.
[4] As of the 1984 tax year the property tax credit is capped based on the actual property tax paid.

TABLE 6
SELECTED INDIVIDUAL INCOME TAX CREDITS

Credit	1981-1982 Claimants	1981-1982 Credits	1982-1983 Claimants	1982-1983 Credits	1983-1984 Claimants	1983-1984 Credits	1984-85 Claimants	1984-85 Credits
Energy Conservation[1] Credit	59,924	$17,790,086	52,489	$15,839,918	58,306	$26,177,237[2]	35,022	23,241,259[2]
Property Tax Credit	52,600	16,462,823	50,340	16,465,478	46,184	14,996,364		
							259,775	28,939,761[3]
Renter's Credit	243,563	26,653,372	256,654	30,664,820	278,134	35,416,672		
Total Credits		$60,906,281		$62,970,216		$76,590,273		$52,181,020

[1]Includes residential insulation credit, solar development credit and commercial solar credit. For tax years beginning from and after December 31, 1984, income tax credit for installation of residential insulation and devices has been repealed.
[2]Total miscellaneous credits: Includes foreign tax credits and energy conservation credits.
[3]In order to make room for additional items on the form, these credits were combined and cannot be presented indivually.

TABLE 7
DISTRIBUTION OF INCOME TAX AS URBAN REVENUE SHARING
TO MUNICIPALITIES IN 1984-85

Cities by County	Amount	% of Total
APACHE		
Eagar	$ 132,461	.1377
St. Johns	159,846	.1662
Springerville	68,912	.0717
COCHISE		
Benson	201,753	.2098
Bisbee	339,529	.3531
Douglas	619,734	.6444
Huachuca City	78,831	.0820
Sierra Vista	1,183,512	1.2307
Tombstone	77,455	.0805
Willcox	153,913	.1600
COCONINO		
Flagstaff	1,648,905	1.7146
Fredonia	49,358	.0513
Page	232,887	.2422
Williams	107,554	.1118
GILA		
Globe	326,810	.3398
Hayden	57,189	.0595
Miami	128,902	.1340
Payson	240,528	.2501
Winkelman	50,308	.0523
GRAHAM		
Pima	75,889	.0789
Safford	332,695	.3460
Thatcher	160,130	.1665
GREENLEE		
Clifton	201,468	.2095
Duncan	28,618	.0298
LA PAZ		
Parker	120,644	.1255
MARICOPA		
Avondale	387,654	.4031
Buckeye	162,978	.1695
Chandler	1,408,282	1.4644
El Mirage	204,410	.2126
Gila Bend	75,224	.0782
Gilbert	271,329	.2821
Glendale	4,611,789	4.7956
Goodyear	148,882	.1548
Guadalupe	213,855	.2224
Mesa	7,235,429	7.5238
Paradise Valley	557,964	.5802
Peoria	584,091	.6074
Phoenix	37,514,757	39.0100
Scottsdale	4,206,006	4.3737
Surprise	176,694	.1837
Tempe	5,074,430	5.2767
Tolleson	210,390	.2188
Wickenburg	167,771	.1745
Youngtown	106,975	.1112
MOHAVE		
Kingman	439,338	.4568
Lake Havasu City	755,042	.7851
NAVAJO		
Holbrook	274,556	.2855
Show Low	203,983	.2121
Snowflake	166,585	.1732
Taylor	90,886	.0945
Winslow	375,931	.3909
PIMA		
Marana	$ 79,448	.0826
Oro Valley	97,757	.1017
South Tucson	311,053	.3235
Tucson	16,038,822	16.6781
PINAL		
Apache Junction	471,516	.4903
Casa Grande	710,525	.7388
Coolidge	325,149	.3381
Eloy	296,151	.3080
Florence	253,010	.2631
Kearny	125,579	.1306
Mammoth	90,459	.0941
Superior	218,316	.2270
SANTA CRUZ		
Nogales	744,316	.7740
Patagonia	46,511	.0484
YAVAPAI		
Chino Valley	135,641	.1412
Clarkdale	71,760	.0746
Cottonwood	215,943	.2246
Jerome	19,933	.0207
Prescott	951,061	.9890
Prescott Valley	108,399	.1127
YUMA		
San Luis	92,357	.0960
Somerton	273,417	.2843
Wellton	43,236	.0450
Yuma	2,043,488	2.1249
TOTAL	$96,166,908	100.00

TABLE 8
Urban Revenue Sharing
1974-75 through 1984-85

1974-75	$21,904,030
1975-76	26,558,140
1976-77	30,313,600
1977-78	31,405,355
1978-79	36,356,905
1979-80	42,997,581
1980-81	53,942,465
1981-82	65,083,596
1982-83	73,596,099
1983-84	83,061,596
1984-85	96,166,908

Figures may not add to total due to rounding.

SALES TAX

Major Features

Arizona's sales tax is a tax on the privilege of transacting business in the state. The rate ranges from .46875 of 1% to 5% depending on the type of business; most sales are taxed at a 5% rate. The total sales tax rate is a combination of five separate taxes: transaction privilege tax, education excise tax, special education excise tax for education, retail business transaction tax and non-retail business excise tax. A new classification of taxable activity, hotel/motel, became effective July 1, 1984 at a rate of 4%.

Three additional taxes usually considered to be sales taxes are use tax, bingo tax and rental occupancy tax. Use tax is imposed at 5% on all purchases of tangible personal property for which sales tax was not paid. Arizona businesses using items from their inventory are also subject to use tax. Bingo tax revenues are a combination of license fees, a 2.5% lieu tax on net proceeds of small bingo games and a 2% tax on gross proceeds of games with sales over $300 per week. Rental occupancy tax is levied at 3% on real property on a long-term lease entered into before December 1, 1967.

On April 17, 1985, Governor Babbitt signed into law an exemption from state sales and use taxes on purchases of qualified agricultural machinery and equipment. This exemption from full state tax rates is replaced for the next 3 years with temporary taxes starting at 3% and declining by 1% each year to zero on July 1, 1988.

Senate Bill 1038 consolidated the old combined sales tax rates to one single rate for each business class. In the past, each sales tax rate was actually a combination of three to five different taxes. This bill eliminated that confusion and provided a single tax rate for each business class. The bill did not change the current rates or distribution.

During this year, the lawmakers exempted the purchase of printed materials for use in libraries which are funded by public monies from use tax. The exempt materials such as books, periodicals, and publications must not be available within the state.

During 1985 the Arizona Legislature established a fund to provide telephone devices for the deaf and severely speech or hearing-impaired. The monies for this fund will be provided by a tax on providers of local access lines or channels. This tax is similar and in addition to the "Emergency Telecommunication Services Excise Tax" (911-ET Tax), which has been renamed the "Telecommunication Services Excise Tax."

Distribution

The transaction privilege tax is shared with municipalities and counties in the state. Twenty-five percent of the tax goes to the cities and towns based on population. Another 33.6% of the transaction privilege tax is distributed to counties by a formula based on assessed valuation and sales in each county. Since 1980 cities and counties have also been reimbursed from the transaction privilege tax for their loss due to the removal of tax on food. The remainder of the transaction privilege tax goes to the state General Fund. All other sales taxes are deposited in the state General Fund.

With the new legislation enacted in 1985 the food tax reimbursement for counties was repealed and the county share of the sales tax was increased to compensate the counties for the loss.

Severance Tax

Laws of 1982, Chapter 230, repealed the sales taxes on metalliferous metals and timber products and replaced both taxes with severance taxes.

The severance taxes are similar to the repealed sales taxes since the tax is administered like the sales tax with the same due dates and forms, and the rates are identical -- 2½% on mining and 1½% on timbering. However, the severance tax is charged at the time of production, rather than the time of sale. Secondly, the base for severance taxes on metalliferous minerals is the greater of the "weighted mineral value" (essentially the cost of extracting the minerals and delivering them to the processing site) or a specified percent of the old sales tax base. This specified percent is due to decrease from 100% in 1982-83 to a floor of 50% by 1985-86.

Municipal Sales Tax Collection Program

The Arizona Department of Revenue is authorized to contract with Arizona cities and towns to administer the collection of municipal sales tax. The Department collects the local taxes and remits the amount collected to each city weekly. During 1984-85, 64 cities and towns participated in this program.

TABLE 9
GROSS SALES, USE & SEVERANCE TAX COLLECTIONS

Source	1980-81	1981-82	1982-83	1983-84	1984-85
Transaction Privilege	$315,333,779	$339,048,243	$357,098,095	$573,263,082	$714,985,004
Education Excise	306,054,592	326,825,752	349,085,972	407,185,512	469,143,800
Special Education	114,897,883	125,120,498	125,845,679	142,108,189	152,658,057
Use	14,016,182	13,795,054	15,702,202	20,807,747	27,423,193
Bingo	159,422	276,216	388,758	415,224	412,285
Rental Occupancy	241,993	113,272	76,758	74,595	112,958
GROSS STATE COLLECTIONS	$750,703,851	$805,179,035	$848,197,357	$1,143,854,349	$1,364,735,297
City Sales Tax	27,408,078	31,132,392	34,141,550	39,237,842	45,595,426
GROSS COLLECTION	$778,111,929	$836,311,427	$882,338,907	$1,183,092,191	$1,410,330,723

TABLE 10
DISTRIBUTION OF SALES TAX COLLECTIONS
1984-85

Net to State General Fund	$1,070,654,725
Net to Cities	114,972,699
Net to Counties	174,179,683
Refunds/Charge offs	4,928,190
TOTAL GROSS COLLECTIONS	$1,364,735,297

TABLE 11
SALES AND SEVERANCE TAX RATES
1984-85

	Taxable Activities	Transaction Privilege Tax	Education Excise Tax	Special Education Excise Tax	Retail[1] Business Excise Tax	Non-Retail[2] Business Excise Tax	Total Tax
1.	Transporting & Towing	1%	1%	2%		1%	5%
2.	Mining, Oil & Gas (Nonmetalliferous)	1%	½%	1%		.625%	3.125%
4.	Utilities	1%	1%	2%		1%	5%
5.	Communications	1%	1%	2%		1%	5%
6.	Railroads & Aircraft	1%	1%	2%		1%	5%
7/8	Private Car/Pipelines	1%	1%	2%		1%	5%
9.	Publishing	1%	1%	2%		1%	5%
10.	Printing	1%	1%	2%		1%	5%
11.	Restaurants & Bars	2%	2%	--		1%	5%
12.	Amusements	2%	2%	--		1%	5%
13.	Real Property Rentals	2%	1%	--		.75%	3.75%
14.	Personal Property Rentals	2%	2%	--		1%	5%
15.	Contracting (Mtrl. only)	1%	1%	2%		1%	5%
16.	Feed Wholesale	½%	1/8%	--		.09375%	.46875%
17.	Retail[1]	2%	2%	--	1%		5%
18.	Advertising[3]	1%				.25%	1.25%
19.	Mining Severance[4]	1.5%	(Balance to State General Fund)				2.5%
20.	Timbering Severance[4]	.9%					1.5%
24.	Prime Contracts entered into prior to May 1, 1983	1%	1%	2%			4%
25.	Hotel/Motel tax[5]	2%	2%	--			4%

[1]Temporarily increased from June 1, 1983 to June 30, 1984. Increase made permanent beginning July 1, 1984.

[2]Temporary increase from January 1, 1984 to June 30, 1984. Increase made permanent beginning July 1, 1984.

[3]Advertising will be phased out by 12/31/85. The 1% Education Excise Tax was repealed 12/31/84, and the Business Tax dropped to .25% as of 12/31/84.

[4]The Transaction privilege tax portion of mining severance and timbering severance taxes is 60% for 1984-85 and will increase to 80% of the total tax rate in 1985-86 with a corresponding decrease in the State General Fund Tax portion. There is no Education Excise or Special Education Excise Tax on mining severance or timbering severance.

[5]Hotel-Motel taxes were split off from rentals of real property effective 7/1/84.

TABLE 12
NET TAXABLE SALES
BY SALES TAX CLASSIFICATION

Classification	1980-81	% of Total	1981-82	% of Total	1982-83[4]	% of Total	1983-84	% of Total	1984-85	% of Total
Transporting and Towing	$ 8,766,996	0.05	$ 10,528,834	0.05	$ 39,544,993	0.18	$ 24,929,381	0.10	$ 39,537,070	0.14
Mining, Oil and Gas	1,646,989,150[1]	8.61	1,739,765,417	8.45	701,533,137		125,398,832	0.51	97,160,930	0.35
Mining Severance[2]	-----	----	-----	-----	404,539,212	5.60	817,838,586	3.31	673,405,105	2.46
Mining Inventory[2]	-----	----	-----	-----	96,436,942		171,921,855	0.70	5,556,618	0.02
Timbering[2]	65,815,726	0.34	56,331,787	0.27	28,566,640		16,412,829	0.07	40,585	0.00
Timbering Severance[2]	-----	----	-----	-----	4,943,068	0.16	14,208,996	0.06	21,991,064	0.08
Utilities	1,764,919,673	9.23	2,266,582,477	11.01	2,421,231,822	11.27	2,425,813,700	9.83	2,769,070,659	10.11
Communications	510,643,970	2.67	534,096,615	2.60	617,688,371	2.87	549,061,992	2.22	564,670,401	2.06
Railroads and Aircraft	34,081,122	0.18	38,823,556	0.19	23,519,300	0.11	59,237,824	0.24	25,865,600	0.10
Private Car and Pipelines	2,488,909	0.01	799,412	0.00	1,097,106	0.00	1,060,174	0.00	4,891,295	0.02
Publishing	209,765,944	1.10	226,195,356	1.10	174,240,373	0.81	75,924,109	0.31	70,517,036	0.26
Job Printing & Advtg.	205,768,138	1.08	249,149,303	1.21	259,925,051	1.21	224,519,057	0.91	227,963,894	0.83
Local Advertising[3]	-----	----	-----	-----	126,960,483	0.59	398,976,791	1.62	521,300,738	1.90
Restaurants and Bars	1,346,845,864	7.04	1,462,449,415	7.10	1,707,636,745	7.95	1,780,585,679	7.21	2,089,040,364	7.63
Amusements	154,804,841	0.81	184,061,602	0.89	217,340,721	1.01	215,958,607	0.87	228,011,817	0.83
Real Property Rentals	921,099,879	4.82	1,059,853,273	5.15	1,211,911,466	5.64	1,394,324,799	5.65	1,197,994,864	4.38
Personal Property Rentals	523,025,005	2.74	573,953,670	2.79	826,652,701	3.85	886,647,981	3.59	1,282,648,972	4.68
Contracting	2,254,556,937	11.79	2,164,763,985	10.52	2,278,537,499	10.60	3,156,115,311	12.79	3,670,815,088	13.41
Wholesale Feed	260,971,896	1.37	223,713,356	1.09	215,895,028	1.00	276,057,244	1.12	250,844,516	0.92
Retail	9,208,456,105	48.16	9,793,526,874	47.58	10,133,601,513	47.15	12,068,047,291	48.89	13,257,124,775	48.41
Hotel/Motel	----	-----	----	-----	----	-----	274,847	-----	387,005,772	1.41
TOTAL	$19,119,000,155	100.00	$20,584,694,932	100.00	$21,491,802,171	100.00	$24,683,315,885	100.00	$ 27,385,457,163	100.00

[1]Actual mining taxable income after adjustments made in 1980-81.

[2]Sales tax on timbering and metalliferous mining replaced by severance tax on January 1, 1983 (see Severance Tax Section).

[3]Local advertising designated a separate class on January 1, 1983 when tax rate dropped from 4% to 3%.

[4]Due to sales tax filing changes, FY 1982-83 taxable income is not directly comparable to FY 1981-82 because collections for May 1983 represented more than a full month of taxable activity.

TABLE 13
STATE SALES TAX DISTRIBUTION TO COUNTIES
FOR FISCAL YEAR 1984-85

County	Distribution of Transaction Privilege Tax	Food Tax Reimbursement[1]	Total Distribution[2]
Apache	$ 1,824,099	$ 253,505	$ 2,077,604
Cochise	3,059,361	437,872	3,497,233
Coconino	4,553,096	574,095	5,127,191
Gila	1,939,345	248,960	2,188,305
Graham	654,674	113,411	768,085
Greenlee	1,045,847	75,692	1,121,539
La Paz	582,106	107,832	689,938
Maricopa	95,804,079	11,622,734	107,426,813
Mohave	3,267,034	550,738	3,817,772
Navajo	3,537,636	526,095	4,063,731
Pima	26,580,317	3,485,020	30,065,337
Pinal	3,611,953	501,870	4,113,823
Santa Cruz	992,768	154,193	1,146,961
Yavapai	3,618,421	544,452	4,162,873
Yuma	3,452,573	459,905	3,912,478
TOTAL	$154,523,309	$19,656,374	$174,179,683

County distributions are based on relative assessed valuation and sales in the county.

[1]Counties are reimbursed for 100% of their loss from removal of the sales tax on food.

[2]Figures may not add to totals due to rounding.

TABLE 14
STATE SALES TAX DISTRIBUTION TO MUNICIPALITIES
FOR FISCAL YEAR 1984-85

County	City	Amount	Total
APACHE	Eagar	$ 157,354	
	St. Johns	189,891	
	Springerville	81,868	429,113
COCHISE	Benson	239,699	
	Bisbee	403,423	
	Douglas	736,402	
	Huachuca City	93,616	
	Sierra Vista	1,406,330	
	Tombstone	92,008	
	Willcox	182,841	3,154,319
COCOCINO	Flagstaff	1,959,347	
	Fredonia	58,582	
	Page	276,686	
	Williams	127,751	2,422,366
GILA	Globe	388,270	
	Hayden	67,919	
	Miami	153,105	
	Payson	285,794	
	Winkelman	59,719	954,807
GRAHAM	Pima	90,135	
	Safford	395,300	
	Thatcher	190,226	675,661
GREENLEE	Clifton	239,355	
	Duncan	33,936	273,291
LA PAZ	Parker	143,309	143,309
MARICOPA	Avondale	460,607	
	Buckeye	193,622	
	Carefree	32,884	
	Chandler	1,673,438	
	El Mirage	242,865	
	Gila Bend	89,331	
	Gilbert	322,370	
	Glendale	5,480,194	
	Goodyear	176,880	
	Guadalupe	254,079	
	Mesa	8,597,887	
	Paradise Valley	662,231	
	Peoria	694,058	
	Phoenix	44,579,555	
	Scottsdale	4,997,985	
	Surprise	209,897	
	Tempe	6,029,939	
	Tolleson	249,955	
	Wickenburg	199,297	
	Youngtown	127,083	75,274,157
MOHAVE	Bullhead City	537,349	
	Kingman	522,037	
	Lake Havasu City	897,180	1,956,566
NAVAJO	Holbrook	326,196	
	Pinetop-Lakeside	119,467	
	Show Low	242,340	
	Snowflake	197,919	
	Taylor	107,948	
	Winslow	446,677	1,440,547
PIMA	Marana	94,335	
	Oro Valley	121,546	
	South Tucson	369,584	
	Tucson	19,060,871	19,646,336
PINAL	Apache Junction	560,233	
	Casa Grande	844,292	
	Coolidge	386,318	
	Eloy	351,828	
	Florence	300,585	
	Kearny	149,165	
	Mammoth	107,451	
	Superior	259,361	2,959,233
SANTA CRUZ	Nogales	884,408	
	Patagonia	55,241	939,649
YAVAPAI	Chino Valley	161,124	
	Clarkdale	85,197	
	Cottonwood	256,566	
	Jerome	27,446	
	Prescott	1,130,095	
	Prescott Valley	128,784	1,789,212
YUMA	San Luis	109,718	
	Somerton	324,866	
	Wellton	51,301	
	Yuma	2,428,249	2,914,134
TOTAL		$114,972,699	$114,972,699

City distributions are based on relative population.
Figures may not add to totals due to rounding.

TABLE 15
MUNICIPAL SALES TAX COLLECTION PROGRAM
COLLECTIONS BY CITY FOR 1984-85

City	Rate	Collections	City	Rate	Collections
Apache Junction	1%	$1,415,948	Oro Valley	2%	$431,838
Avondale	1%	352,627	Page	1%	594,509
Benson	2%	432,979	Paradise Valley	1%	1,178,206
Bisbee	2%	612,311	Parker	2%	485,594
Buckeye	1%	264,529	Payson	2%	1,331,564
Bullhead City*	1%	542,720	Pima	1%	37,454
Carefree*	1%	73,902	Pinetop-Lakeside*	2%	382,708
Casa Grande	1.5%	2,353,480	Prescott Valley	1%	234,531
Chino Valley	1%	91,807	Safford	1%	748,200
Clarkdale	1%	30,045	St. Johns	1%	148,356
Clifton	1%	80,365	San Luis	2%	336,008
Coolidge	1%	464,437	Show Low	2%	1,422,300
Cottonwood	1%	771,140	Sierra Vista	1%	1,794,610
Douglas	2%	1,462,729	Snowflake	1%	163,163
Duncan	2%	70,821	Somerton	1%	59,705
Eagar	2%	147,863	South Tucson	2%	867,841
El Mirage	2%	324,293	Springerville	2%	582,913
Eloy	1.5%	365,327	Superior	1%	46,273
Florence	2%	140,481	Surprise	1%	163,232
Fredonia	1%	27,676	Taylor	1%	37,392
Gila Bend	2%	271,175	Thatcher	1%	199,890
Gilbert	1%	464,626	Tolleson	2%	282,191
Glendale	1%	9,854,594	Tombstone	2%	180,931
Globe	1%	541,091	Wellton	2%	170,869
Goodyear	1%	626,842	Wickenburg	1%	582,041
Guadalupe	2%	199,160	Willcox	2%	487,106
Holbrook	2%	898,435	Williams	3%	590,441
Huachuca City	1%	35,966	Winslow	2%	898,561
Jerome	2%	46,961	Youngtown	1%	164,000
Kearny	1%	98,224	Yuma	1%	4,406,960
Kingman	2%	2,167,673			
Lake Havasu*	1%	1,217,048	TOTAL		$45,595,426
Marana	2%	84,359			
Miami	1%	54,405			

TABLE 16
MUNICIPAL SALES TAX COLLECTION PROGRAM
1974-75 through 1984-85

Fiscal Year	Total Collections	Number of Cities in Program
1974-75	$ 7,200,000	31
1975-76	10,679,373	37
1976-77	12,979,383	40
1977-78	16,107,372	43
1978-79	20,708,038	50
1979-80	24,024,045	52
1980-81	27,408,078	57
1981-82	31,132,392	59
1982-83	34,141,550	59
1983-84	39,237,842	60
1984-85	45,595,426	64

* Bullhead City, Carefree, Lake Havasu City and Pinetop-Lakeside entered the State Collection Program in 1984-85.

Check rates with local taxing authorities.
Figures may not add to total due to rounding.

LUXURY TAX

The luxury tax on cigarettes and tobacco is levied on distributors and the luxury tax on alcoholic beverages is levied on liquor wholesalers. Effective July 1, 1984, the luxury tax on cigarettes, tobacco products and liquor was increased to the rates shown below.

Effective July 1, 1984, a Corrections Fund was established under A.R.S. Section 41-1651. Of the monies collected from luxury tax during fiscal year 1984-85, $18,928,396 was deposited in the Corrections Fund. The remaining $68,534,883 was deposited in the State General Fund.

PRODUCTS	LUXURY TAX RATE
Tobaccos	
Cigarettes	
package of 20 or fractional part	$ .15
Cigars	
small cigars weighing not more than 3 lbs. per M, package of 20 or less	.04
Selling for 5¢ or less, each cigar	.00666
Selling for more than 5¢, each cigar	.02
Smoking tobacco, snuff, fine cut, chewing, etc. - per oz.	.02
Cavendish, plug & twist - per oz.	.005
Alcoholic Beverages	
Spirituous Liquors per gallon	3.00
Vinous Liquors - more than 24% alcohol per gallon	4.00
Vinous Liquors - less than 24% alcohol per gallon	.84
Malt Liquor (Beer)	
per gallon	.16
per barrel (31 gallons)	4.96

TABLE 17
LUXURY TAX COLLECTIONS

Source	1980-81	1981-82	1982-83	1983-84	1984-85	Percent of Collections in 1984-1985
Spirituous Liquor Net Revenue	$13,593,465	$13,482,032	$13,890,962	$14,600,111	$17,049,450	19.493
Vinous Liquor Net Revenue	2,632,740	2,967,247	3,008,457	3,663,608	6,785,029	7.758
Malt Liquor Net Revenue	6,574,829	6,891,216	6,813,120	7,235,455	14,102,897	16.124
Tobacco - All Types						
Gross Revenue	40,083,323	42,222,950	42,467,848	44,266,716	51,386,983	58.752
Refunds/Discounts	(399,096)	(1,459,002)	(1,563,178)	(2,793,086)	(1,862,655)	(2.129)
Licenses	755	2,245	1,300	1,475	1,575	0.002
Net Revenue	39,744,982	40,766,193	40,905,970	41,475,105	49,525,903	56.625
Total Net Revenue	$62,546,016	$64,106,688	$64,618,509	$66,974,279	$87,463,279*	100.000

*Of the monies collected from the Luxury Tax during fiscal year 1984-85, $18,928,396 was deposited in the Corrections Fund. The remaining $68,534,883 was deposited in the State General Fund.

ESTATE TAX

The Arizona estate tax is a tax upon the transfer of property or interest in property which takes effect upon the death of the owner and is levied on the net estate before it is distributed. The tax is imposed on the Arizona estate of both resident and nonresident decedents. Arizona does not impose inheritance or gift taxes.

For resident decedents, the Arizona estate tax is an amount equal to the federal credit for state death taxes, reduced by the lesser of: 1) tax paid to another state or 2) a portion of the federal credit, based upon the value of realty and/or tangible personal property having situs in this state compared to the total value of property in the estate.

For nonresident decedents, the Arizona estate tax is that portion of the federal credit based upon the value of realty and/or tangible personal property having situs in Arizona compared to the total value of property in the estate.

Unclaimed Property

The Department of Revenue is responsible for the collection, safekeeping and disposition of unclaimed property, escheated estates and unclaimed shares and dividends.

The unclaimed property unit receives funds and other personal property, presumed to be abandoned, from various financial institutions. The largest percentage of unclaimed property is comprised of contents of safe deposit boxes on which rent has not been paid for one year, bank accounts with no activity for seven years, insurance benefits not claimed in seven years, utility company deposits not claimed in seven years, and travelers checks not cashed in fifteen years. Cash received is deposited immediately to the General Fund. Assets other than cash are eventually sold at public auction and the proceeds deposited in the General Fund. Unclaimed property may be reclaimed at any time by the owner(s). Twice yearly, on May 1 and November 1, unclaimed property turned over to the Department is advertised according to statute in an effort to locate owners. Precise records are maintained by this unit in the event a claim is made by the owner to recover the unclaimed property.

The unit also processes escheated estates. When a person dies without leaving a will and with no known heirs, his or her property reverts to the state as original and ultimate proprietor. Funds received for escheated estates are deposited in the permanent school fund.

Funds received from the sale of unclaimed shares and dividends of any corporation incorporated under the laws of Arizona are deposited in the permanent school fund.

TABLE 18
ESTATE TAX COLLECTIONS

Source	1980-81	1981-82	1982-83	1983-84	1984-85	Percent of Collections in 1984-1985
Estate Taxes	$10,139,409	$12,637,301	$12,492,305	$12,978,900	$15,302,387	
Refunds	239,068	334,585	260,954	442,689	555,594	
Net	9,900,341	12,302,716	12,231,351	12,536,211	14,746,793	90.35
Unclaimed Property	1,053,513	571,366	995,848	1,271,125	1,864,695	
Refunds	485,862	304,441	103,425	239,286	226,500	
Net	567,651	266,925	892,423	1,031,839	1,638,195	10.04
Escheated Estates	74,252	189,532	366,293	231,461	164,930	
Refunds	18,886	0	2,571	26,426	155,558	
Net	55,366	189,532	363,722	205,035	9,372	0.06
Unclaimed Dividends	30,722	796	1,676	71,641	4,746	
Refunds	0	0	0	4,298	77,522	
Net	30,722	796	1,676	67,343	(72,776)	(0.45)
Total Net Revenue	$10,554,080	$12,759,969	$13,489,172	$13,840,428	$16,321,584	100.00

TABLE 19
DISTRIBUTION OF ESTATE TAX COLLECTIONS
1984-85

Net to General Fund	$16,384,988
Net to Permanent School Fund	(63,404)
Total Net Collections	$16,321,584

PROPERTY TAX

Tax Base

In Arizona the property tax is an ad valorem tax, or tax on the value of property. For tax purposes, all properties in Arizona carry two values: limited value and full cash value. Taxes based on the limited value, called primary property taxes, are used to pay for the basic maintenance and operations of a jurisdiction. This value is limited to the larger of 10% growth per year or 25% of the difference between the prior year's limited value and the new full cash value. This limit is placed on locally assessed property only. The full cash value is unlimited and floats with the market. Taxes based on this value are referred to as secondary property taxes and are used to pay for bonded indebtedness, voter-approved overrides and special district levies.

All taxable property in Arizona is classified according to its current use. Each class has a different assessment ratio which is the percentage of the value used as a tax base. The assessment ratios in 1985 are shown below.

Class	1985 Ratios
1. Producing mines, standing timber	34%
2. Telecommunications property, gas, electric and water utilities, pipelines	34%
3. Commercial and industrial property	25%
4. Agricultural and vacant land	16%
5. Owner-occupied residential property	10%
6. Rental residential property	17%
7. Railroad and private rail car property, airline flight property	26%
8. Historic property	5%
9. Scenic or historic railroad	13%
C. Producing oil and gas interests	100%

A change in Class 1 and Class 2 assessment ratios in 1985 from 36% to 34% will exert upward pressure on taxes of locally assessed properties. A smaller tax base in centrally valued properties means taxing entities must charge more on the remaining properties to make up for the loss.

For each year after 1983, Class 1 and Class 2 assessment ratios are reduced by 2% of the full cash value until tax year 1990. For tax year 1990 and each year thereafter, ratios will remain at 25% of the full cash value.

Class 6 Property assessment ratio is lowered from 18% to 17% for 1985, 16% for 1986, 15% for 1987, and 14% of full cash value for 1988 and thereafter.

A new class of property, Class 9 was established in 1984. Currently only the line railroad running from the City of Williams to the Grand Canyon qualifies for this classification. Telephone and telegraph properties were renamed Telecommunications Properties.

Assessment Responsibility

Duties of property appraisal are divided between the state and counties. The Arizona Department of Revenue appraises utilities, railroads, producing mines and other complex or geographically dispersed properties. Values determined by the Department for those properties are transmitted to the County Board of Supervisors for entry upon the county tax rolls for levy and collection of property taxes.

County Assessors, utilizing standards established by the Department, are responsible for appraisal of most classes of property, including residential, commercial and industrial, and agricultural properties.

Tax Collection and Distribution

With the two exceptions noted below, County Treasurers collect all property taxes and distribute receipts to all taxing entities. The state property tax collected by the counties is deposited in the state General Fund.

Taxes levied on airline flight property and private rail car property are collected by the Department of Revenue and deposited in the state General Fund.

Nuclear Plan Assessment

Beginning in 1981-82, the Department of Revenue was charged with collecting a special assessment from corporations constructing or operating commercial nuclear generating stations. The money supports development and maintenance of a state plan for off-site response to an emergency at a nuclear generating station.

TABLE 20

DEPARTMENT OF REVENUE PROPERTY TAX COLLECTIONS

Fiscal Year	Flight Property Tax	Private Rail Car Property Tax	Nuclear Plan Assessment
1976-77	2,012,487	1,277,441	-----
1977-78	2,064,993	1,348,215	-----
1978-79	2,053,858	999,759[1]	-----
1979-80	2,507,401	536,773	-----
1980-81	5,585,255[2]	692,366	-----
1981-82	3,217,110[2]	538,855	$300,000
1982-83	2,290,785	566,505	968,456
1983-84	2,782,822	626,198	573,751
1984-85	2,679,799	750,036	410,515[3]

[1] Assessment ratio lowered from 60% to 36%.
[2] Tax base revised.
[3] Received in July 1985 for 84-85 fiscal year.

TABLE 21
NET ASSESSED VALUATION BY COUNTY

County	1983 Limited Value (Primary)	1983 Full Cash Value (Secondary)	1984 Limited Value (Primary)	1984 Full Cash Value (Secondary)	1985 Limited Value (Primary)	1985 Full Cash Value (Secondary)
Apache	$ 220,320,285	232,214,277	$ 260,495,930	$ 273,011,376	$ 327,765,943	$ 343,021,227
Cochise	255,285,297	279,726,165	271,926,287	298,838,090	287,851,703	316,899,408
Coconino	398,018,093	429,410,776	410,777,050	454,781,801	435,914,388	488,397,148
Gila	151,916,932	165,910,046	167,462,629	179,666,603	171,401,929	183,838,687
Graham	51,995,889	56,227,619	53,509,053	56,899,769	56,787,986	60,659,699
Greenlee	75,530,133	76,622,967	73,759,778	74,227,191	60,946,382	61,450,872
La Paz	55,822,973	62,890,907	61,263,765	67,714,256	64,079,431	69,633,102
Maricopa	6,372,193,869	7,477,212,494	7,049,314,232	7,921,268,019	8,073,816,168	9,038,215,631
Mohave	280,835,768	322,797,549	303,074,067	333,708,032	341,962,406	377,703,340
Navajo	460,120,056	489,479,974	454,286,083	478,444,042	460,497,182	497,168,042
Pima	1,895,442,002	2,207,615,754	2,067,021,180	2,324,225,207	2,305,320,800	2,565,591,138
Pinal	290,224,245	323,347,554	297,514,210	322,358,649	321,977,770	345,496,357
Santa Cruz	70,750,414	74,017,844	76,803,885	90,007,199	88,379,658	103,816,031
Yavapai	315,106,288	366,041,350	334,935,941	382,954,140	389,168,016	447,991,805
Yuma	227,492,331	254,633,808	252,512,160	271,026,878	274,591,868	289,814,127
TOTAL	$11,121,054,575	$12,818,149,084	$12,134,656,250	$13,529,131,252	$13,660,461,630	$15,189,696,614

TABLE 22
PROPERTY ASSESSMENT RESPONSIBILITY
1985

County	LIMITED NET ASSESSED VALUES*				FULL CASH NET ASSESSED VALUES*			
	Department-Valued		Assessor-Valued		Department-Valued		Assessor-Valued	
	Amount	% of County	Amount	% of County	Amount	% of County	Amount	% of County
Apache	$ 270,904,423	82.65%	$ 56,861,520	17.35%	$ 271,228,748	79.07%	$ 71,792,479	20.93%
Cochise	111,165,327	38.62	176,686,376	61.38	111,977,276	35.34	204,922,132	64.66
Coconino	189,983,989	43.58	245,930,399	56.42	191,023,730	39.11	297,373,418	60.89
Gila	53,780,458	31.38	117,621,471	68.62	53,945,194	29.34	129,893,493	70.66
Graham	9,486,335	16.70	47,301,651	83.30	9,839,434	16.22	50,820,265	83.78
Greenlee	45,373,322	74.45	15,573,060	25.55	45,537,404	74.10	15,913,468	25.90
La Paz	22,312,754	34.82	41,766,677	65.18	22,808,862	32.76	46,824,240	67.24
Maricopa	1,578,582,372	19.55	6,495,233,796	80.45	1,580,150,696	17.48	7,458,064,935	82.52
Mohave	82,476,973	24.12	259,485,433	75.88	83,019,003	21.98	294,684,337	78.02
Navajo	294,784,018	64.01	165,713,164	35.99	295,891,063	59.52	201,276,979	40.48
Pima	358,838,286	15.57	1,946,482,514	84.43	359,325,857	14.01	2,206,265,281	85.99
Pinal	102,412,800	31.81	219,564,970	68.19	103,252,654	29.89	242,243,703	70.11
Santa Cruz	13,105,829	14.83	75,273,829	85.17	14,240,462	13.72	89,575,569	86.28
Yavapai	87,850,818	22.57	301,317,198	77.43	89,300,616	19.93	358,691,189	80.07
Yuma	52,623,884	19.16	221,967,984	80.84	53,860,895	18.58	235,953,232	81.42
ARIZONA	$3,273,681,588	23.96%	$10,386,780,042	76.04%	$3,285,401,894	21.63%	$11,904,294,720	78.37%

* Does not include Salt River Project, airline flight property or private rail car property

TABLE 23
AVERAGE PROPERTY TAX RATES

	1982		1983		1984		1985	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
School Districts*	$3.45	$ .86	$3.60	$ .83	$3.79	$ .88	$3.94	$1.12
Counties	2.11	.23	2.10	.32	2.08	.27[1]	2.04	.29
State	.75	---	.75	---	.40	---	.40	---
Cities	.37	.30	.37	.31	.35	.36	.32	.38
Community Colleges	.79	.01	.79	.00	.80	.00	.74	.06
Special Districts	---	.46	---	.47	---	.54[1]	---	.57
TOTAL	$7.47	$1.86	$7.61	$1.93	$7.40	$2.06	$7.44	$2.42

1 1984 county flood control tax levies of $11,802,968 previously reported as county were reclassified as special districts.

Figures may not add to totals due to rounding.

*School district rate includes unorganized school districts.

TABLE 24
SUMMARY OF PRIMARY TAX LEVIES
FOR 1985 - 1986

County	Net Assessed Valuation	State	County	Cities and Towns	Community Colleges	Schools	Unorganized School Dist.	Total Levies
Apache	$ 327,765,943	$ 1,311,064	$ 2,115,729	$ - 0 -	$ - 0 -	$ 7,476,808	$ - 0 -	$ 10,903,601
Cochise	287,851,703	1,151,407	9,058,893	644,497	4,197,183	9,144,581	- 0 -	24,196,561
Coconino	435,914,388	1,743,658	4,043,241	1,281,995	- 0 -	14,792,516	- 0 -	21,861,410
Gila	171,401,929	685,607	7,414,391	830,703	- 0 -	7,486,552	- 0 -	16,417,253
Graham	56,787,986	227,152	1,332,701	95,996	729,555	678,463	- 0 -	3,063,867
Greenlee	60,946,382	243,786	497,229	4,675	- 0 -	1,479,490	- 0 -	2,225,180
La Paz	64,079,431	256,318	1,536,752	- 0 -	980,457	1,853,555	- 0 -	4,627,082
Maricopa	8,073,816,168	32,295,265	117,171,280	33,324,137	57,198,367	315,676,553	- 0 -	555,665,602
Mohave	341,962,406	1,367,850	8,544,615	1,074,000	3,279,140	14,585,427	- 0 -	28,851,032
Navajo	460,497,182	1,841,988	3,926,088	184,815	3,472,306	9,635,806	- 0 -	19,061,003
Pima	2,305,320,800	9,221,283	87,186,604	3,328,571	16,264,530	110,011,730	- 0 -	226,012,718
Pinal	321,977,770	1,287,911	15,808,659	888,584	5,316,329	12,076,149	- 0 -	35,377,632
Santa Cruz	88,379,658	353,519	3,147,464	- 0 -	- 0 -	3,710,177	- 0 -	7,211,160
Yavapai	389,168,016	1,556,672	10,678,260	563,008	5,087,912	15,964,816	- 0 -	33,850,668
Yuma	274,591,868	1,098,367	6,590,431	1,878,000	4,201,434	12,999,093	- 0 -	26,767,325
ARIZONA	$13,660,461,630	$54,641,847	$279,052,337	$44,098,981	$100,727,213	$537,571,716	$- 0 -	$1,016,092,094
Percent of Total Levies		5.38%	27.46%	4.34%	9.91%	52.91%	- -	100.00%

Average Primary Tax Rate $7.44

TABLE 25
SUMMARY OF SECONDARY TAX LEVIES
FOR 1985 - 1986

County	Net Assessed Valuation	County	Cities and Towns	Community Colleges	Schools	All Other	Unorganized School Dist.	Total Levies
Apache	$ 343,021,227	$ 969,721	$ - 0 -	$ - 0 -	$ 6,510,399	$ 327,311	$ - 0 -	$ 7,807,431
Cochise	316,899,408	1,895,182	523,464	- 0 -	2,834,134	1,919,594	- 0 -	7,172,374
Coconino	488,397,148	- 0 -	1,065,390	- 0 -	7,639,374	2,094,438	- 0 -	10,799,202
Gila	183,838,687	367,120	25,283	- 0 -	1,480,385	589,548	- 0 -	2,462,336
Graham	60,659,699	- 0 -	- 0 -	89,170	1,591,442	120,769	- 0 -	1,801,381
Greenlee	61,450,872	- 0 -	- 0 -	- 0 -	1,388,451	15,682	- 0 -	1,404,133
La Paz	69,633,102	- 0 -	- 0 -	- 0 -	538,000	620,672	- 0 -	1,158,672
Maricopa	9,038,215,631	14,500,000	48,146,998	9,265,991	90,699,401	48,214,321	243,401	211,070,112
Mohave	377,703,340	1,740,305	522,950	- 0 -	3,498,000	3,761,322	- 0 -	9,522,577
Navajo	497,168,042	301,250	45,850	- 0 -	7,943,507	3,466,916	- 0 -	11,757,523
Pima	2,565,591,138	22,014,001	6,590,950	- 0 -	33,276,023	16,000,962	- 0 -	77,881,936
Pinal	345,496,357	- 0 -	103,998	273,644	5,033,139	2,709,060	- 0 -	8,119,841
Santa Cruz	103,816,031	- 0 -	- 0 -	- 0 -	1,134,531	879,259	- 0 -	2,013,790
Yavapai	447,991,805	- 0 -	418,059	- 0 -	2,447,905	4,449,213	- 0 -	7,315,177
Yuma	289,814,127	2,488,367	276,952	- 0 -	3,277,905	$ 1,277,539	- 0 -	7,320,763
ARIZONA	$15,189,696,614	$44,275,946	$57,719,894	$9,628,805	$169,292,596	$86,446,606	$243,401	$367,607,248
Percent of Total Levies		12.04%	15.70%	2.62%	46.05%	23.52%	.07%	100.00%
Average Secondary Tax Rate:		$2.42						

Income and Withholding

Chapter 8
S.B. 1054
Income tax return extension; penalty.
Prescribes penalties for failing to comply with requirements for extension of time for filing income tax returns. Penalties are 1/2% of tax not paid for each 30 days or fraction between date return due to be filed and date tax paid, not to exceed 25%. Effective for tax years beginning from and after December 31, 1983.

Chapter 21
S.B. 1041
Internal Revenue Code; conform definition.
Changes reference date to I.R.C. to that in effect 1-1-85 to conform to changes made during 1983 and 1984. Excludes Social Security and Railroad Retirement benefits as income included in federal adjusted gross income. Effective August 7, 1985.

Chapter 25
H.B. 2122
Reciprocal income exemption agreements.
Allows Director DOR to enter into reciprocal agreements with other states to provide for exemption from income tax liability on certain residents. Effective August 7, 1985.

Chapter 59
H.B. 2035
Income tax; child abuse checkoff.
Changes amounts of child abuse income tax checkoff to parallel wildlife checkoff amounts; allows additional donation above specified refund checkoff amount; raises fund limit to $10,000,000 before checkoff removed from income tax return for that tax year. Effective for tax years beginning from and after December 31, 1984.

Chapter 79
S.B. 1097
Military retirement pay; withholding tax.
Provides that withholding tax from military retirement or retainer pay may be allowed; extends to certain retirement and retainer pay withholding provisions by election of taxpayer; provides for certain withdrawals from certain retirement systems or plans, or judges retirement systems or plans, or judges retirement fund to be treated as wages and be subject to withholding. Effective August 7, 1985.

Chapter 109
H.B. 2285
Corporation tax; water's edge limitation
Changes corporate income tax provisions by providing DOR may obtain certain information from a consolidated return; adds definitions of domestic and foreign corporations; provides for allocation and apportionment of certain foreign corporations in computing net or taxable income. Effective for tax years beginning from and after December 31, 1983.

Sales and Use Tax

Chapter 9
S.B. 1018
Municipal Sales Tax Study Commission.
Extends the Commission to 6-30-86 and provides for a progress report to the Legislature on or before 6-30-86. Effective March 11, 1985.

Chapter 35
S.B. 1010
Telecommunication devices for the deaf.
Establishes program to provide telecommunication devices to deaf; levies excise tax of 2/10 of 1% of the amount charged by a provider for exchange access services beginning 6-30-85 and terminating 6-30-88. Governed by Title 42, Ch 8, and collected by DOR from telecommunications providers. Effective June 30, 1985.

Chapter 47
S.B. 1202
Sales tax delinquency date.
Changes sales and use tax delinquency date to business date preceding last business date for mailing, if not postmarked by 25th, and for in-person filings. Refunds to Greenlee County monies withheld from sales tax distribution from March 1, 1984 to April 9, 1985. Effective retroactively from and after April 30, 1985.

Chapter 70
H.B. 2470
Non-retail business exception.
Applies prime contractor exception to non-retail business excise tax for contracts entered into between 4-30-84 and 5-5-84; prescribes Department of Revenue must provide qualification procedures to claim exception from tax. Effective April 9, 1985; retroactive for contracts entered into between April 30, 1984 to May 5, 1984

Chapter 101
S.B. 1147
Use tax exemption for nonresidents.
Provides for an exemption from use tax for personal property purchased out of state by nonresidents if first actual consumption of property was outside the state. Effective August 7, 1985.

Chapter 104
H.B. 2011
Agricultural equipment; sales tax exemption.
Exempts certain agricultural equipment and implements from sales and use taxes; establishing declining rate temporary taxes. Effective April 17, 1985.

Chapter 240
S.B. 1231
Sales tax credits; qualified business.
Defines taxpayer for purposes of claiming sales tax administrative credit to income tax paying entity or a single entity if not required to pay income taxes. Fffective August 7, 1985.

Chapter 248
H.B. 2223
Public libraries; use tax exemption.
Provides for exemption from use tax on purchases of printed materials made out of state if these materials not available in Arizona to libraries funded with public monies. Effective August 7, 1985.

Chapter 298
S.B. 1038
Consolidated sales tax.
Provides consolidation of the various state privilege and excise taxes into a single transaction privilege tax, without changing tax rates or distribution of revenue formulas. Includes technical amendments to conform previously passed legislation to this bill. Effective July 1, 1985.

Chapter 308
H.B. 2306
Transportation finance.
Department of Revenue related provisions include:

Voters in all counties will have the option of voting for up to a 1/2% sales tax increase for a period not to exceed 20 years. This transportation sales tax will be collected by the Department.

If the federal excise tax on cigarettes is reduced by 8¢ a pack before June 30, 1990, the State cigarette luxury tax will be increased 8¢ a pack. The revenue is to go towards highway construction. Alternative financing should the cigarette luxury tax not be utilized will accrue from a portion of the vehicle license tax revenues and fuel taxes. Various effective dates.

Property Tax

Chapter 2
H.B. 2067
Rental property tax penalty relief.
Addresses provisions of H.B. 2406 in 1984 session, Ch 371 which imposed mailing notice deadlines and tax penalties on property survey; provides for waiver of penalties; reclassification procedures; unpaid penalties added to 1985 tax bill; provides for disbursement of penalties to county treasurer and state treasurer. Effective January 28, 1985.

Chapter 42
S.B. 1143
Gila County Fire District Assessment.
Provides for extension of time for notice to DOR by Gila County for purposes of property tax assessment and levying for 1985 tax year. Effective retroactively April 9, 1985.

Chapter 43
S.B. 1144
Pinetop-Lakeside Assessment.
Provides for extension of time for notice to DOR by city of Pinetop-Lakeside for purposes of property tax assessment and levying for 1985 tax year. Effective retroactively April 9, 1985.

Chapter 56
H.B. 2004
Tax Appeals Board; appeals date.
Revises deadline and manner of appealing to Board of Tax Appeals property valuations determined by Department of Revenue to 15 days after mailing or the fourth Monday in June, whichever is later. Effective April 9, 1985.

Chapter 67
H.B. 2221
Property tax appeals process; 1985.
Provides extension of time for mailing valuation notices by county assessor, for filing property tax appeals, and for completion and delivery of assessment roll by county assessor for 1985 property tax year. Effective retroactively February 1, 1985.

Chapter 100
S.B. 1122
County Board of Equalization Procedures.
Provides for changes in notification procedures used by county board of equalization, including increasing of valuation of a property, appeal procedures and notification of decisions by the county board. Effective August 7, 1985.

Chapter 103
H.B. 2010
Property tax valuation information.
Provides for additional information to be required on Affidavit of Legal Property Value, including downpayment and financing information, if value of personal property exceeds 5% of total price, and name and address of person who could provide additional information. Effective August 7, 1985.

Chapter 201
H.B. 2072
Taxation livestock; personal property.
Requires feedlots, dairies and range cattle operations to maintain inventory records monthly, but only report to county assessor annually, the average number of livestock for personal property valuation and taxation. Effective August 7, 1985.

Chapter 264
S.B. 1053
Possessory interest.
Establishes method for taxation of possessory interests in government owned property by valuing and placing it on the property tax rolls as unsecured personal property. Certain statutory exemptions were provided for specific possessory interests; special tax treatment is provided for interests in officially designated slum and blighted areas. Effective January 1, 1986.

Chapter 274
H.B. 2133
Refund or forgiveness of taxes.
Directs county treasurer to refund church property taxes for tax years 1984 and 1985; church must submit claim in order to receive the refund. Supervisors directed to remove unpaid property taxes from tax roll. Effective August 7, 1985.

Chapter 317
H.B. 2157
Telecommunication companies.
Clarifies classification of telecommunication companies for property tax purposes to reflect technological changes. All long distance telecommunication companies will be class 2 properties effective with the 1985 property tax year. Effective August 7, 1985 for 1985 property tax year.

Bingo

Chapter 200
H.B. 2071
Regulating Bingo.
General administrative bill; in lieu tax on licensees raised from 1% to 2%; eliminated taxation by other governmental entity; lowers game prize limits; allows special games; provides for limited peace officer status of certain personnel; allows Department to require additional record keeping; other administrative provisions. Effective August 7, 1985.

Luxury Taxes

Chapter 1
S.B. 1032
Liquor License Surety Bond Requirement.
Provides that certain liquor licensees must post surety bond for payment of sales taxes incurred by liquor sales; $2000 minimum bond to cover 150 days liability with $5000 increments; if all taxes paid timely within 2 years of renewal date, licensee may be exempt from bonding. Administrative rules from Liquor Board. Confidential information disclosure allowed to Liquor Board by DOR. Effective retroactively January 1, 1985.

Chapter 204
H.B. 2181
Liquor Luxury Tax Bond; Wholesalers.
Provides wholesalers who are current with tax obligations for past two years may be exempt from Surety Bond requirements at Liquor Board. Effective April 26, 1985.

Administration

Chapter 108
H.B. 2279
Judicial Fees; municipal tax actions.
Provides for awards of fees and other expenses to successful party challenging assessment or collection of municipal taxes; maximum limit $10,000. Effective August 7, 1985.

Chapter 161
S.B. 1044
Tax statutes corrections.
Contains technical corrections of multiple enactments and removes obsolete language. Provides DOR ability to abate certain taxes upon

certain conditions with Attorney General approval; provides certain taxpayers file amended returns; requires certain corporations to report income on installment sales upon ceasing business. Effective August 7, 1985.

Chapter 239
S.B. 1222
Taxation; Liability Set-off Program.
Adds RPTC and PTC to tax credits which may be set-off against; adds agencies and certain contractual corporations with Attorney General approval to set-off program. Effective August 7, 1985.

Chapter 366
H.B. 2336
General Tax Administration.
Effective 7-1-86 consolidates the administrative procedures used by the Department for sales, use, severance, luxury and income taxes from Titles 42 and 43 into single codified area of Title 42, Chapter 1, Article 2. Primary areas of consolidation include audit protest period, statute of limitations, protest payments, penalties and bonding. Another section of this law addresses uniformity of golf courses for property tax valuation beginning in 1987. Also includes session laws providing for continuance of state property tax rate for educational purposes at 40¢ per $100 of limited assessed valuation and the state general purpose property tax rate at zero for the 1985 property tax year. The Joint Legislative Tax Committee was given option at chairman's discretion of meeting in August. Various effective dates.

APPENDIX

TOTAL TRANSACTION PRIVILEGE TAX BY COUNTY, BY TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS FOR 1984-1985

"OTHER TAXABLE ACTIVITIES" IN ALL FOLLOWING TABLES IN APPENDIX INCLUDES:

BUSINESS CLASS	DESCRIPTION
1.	TRANSPORTATION & TOWING
2.	MINING, OIL & GAS PRODCUTS
3.	TIMBERING
6.	RAILROADS & AIRCRAFT
7.	PRIVATE CAR
8.	PIPELINES
16.	FEED WHOLESALE
19.	SEVERANCE - MINING
20.	SEVERANCE - TIMBER
21.	INVENTORY MINING
22.	INVENTORY TIMBER

TRANSACTION PRIVILEGE TAX IS ONLY ONE COMPONENT OF THE TOTAL STATE SALES TAX. RATES ARE LISTED ON EACH TABLE.

TABLE 26
TOTAL TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
IN APACHE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1984 AND ENDING JUNE 30, 1985

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	RATE	SALES TAX COLLECTED
4. UTILITIES	$ 11,366,768	1%	$113,668
5. COMMUNICATIONS	1,252,276	1%	12,523
9. PUBLISHING			
10. PRINTING			
18. ADVERTISING	474,953	1%	4,750
11. RESTAURANTS			
23. PROTESTED RESTAURANTS	4,948,278	2%	98,966
12. AMUSEMENTS	224,140	2%	4,483
13. RENTALS OF REAL PROPERTY			
25. BED TAX - HOTEL/MOTEL	4,138,690	2%	82,774
14. RENTALS OF PERSONAL PROPERTY	1,580,933	2%	31,619
15. CONTRACTING			
24. PRE 5/84 CONTRACTING			
26. PRIOR 7/01/74 CONTRACTING	45,235,822	1%	452,358
17. RETAIL	31,721,565	2%	634,431
OTHER TAXABLE ACTIVITIES	36,692,170		360,552
TOTAL	$137,635,595		$1,796,122

Figures may not add to total due to rounding.

TABLE 27
TOTAL TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
IN COCHISE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1984 AND ENDING JUNE 30, 1985

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	RATE	SALES TAX COLLECTED
4. UTILITIES	$ 83,226,754	1%	$ 832,268
5. COMMUNICATIONS	13,068,477	1%	130,685
9. PUBLISHING 10. PRINTING 18. ADVERTISING	6,597,384	1%	65,974
11. RESTAURANTS 23. PROTESTED RESTAURANTS	32,554,301	2%	651,086
12. AMUSEMENTS	1,811,777	2%	36,236
13. RENTALS OF REAL PROPERTY 25. BED TAX - HOTEL/MOTEL	17,379,964	2%	347,599
14. RENTALS OF PERSONAL PROPERTY	7,877,662	2%	157,553
15. CONTRACTING 24. PRE 5/84 CONTRACTING 26. PRIOR 7/01/74 CONTRACTING	56,176,715	1%	561,767
17. RETAIL	255,229,167	2%	5,104,583
OTHER TAXABLE ACTIVITIES	17,893,470		190,498
TOTAL	$491,815,671		$8,078,249

Figures may not add to total due to rounding.

TABLE 28
TOTAL TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
IN COCONINO COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1984 AND ENDING JUNE 30, 1985

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	RATE	SALES TAX COLLECTED
4. UTILITIES	$ 62,475,915	1%	$ 624,759
5. COMMUNICATIONS	15,156,736	1%	151,567
9. PUBLISHING 10. PRINTING 18. ADVERTISING	9,301,386	1%	93,014
11. RESTAURANTS 23. PROTESTED RESTAURANTS	84,196,820	2%	1,683,936
12. AMUSEMENTS	14,000,999	2%	280,020
13. RENTALS OF REAL PROPERTY 25. BED TAX - HOTEL/MOTEL	74,346,675	2%	1,486,934
14. RENTALS OF PERSONAL PROPERTY	26,007,280	2%	520,146
15. CONTRACTING 24. PRE 5/84 CONTRACTING 26. PRIOR 7/01/74 CONTRACTING	72,404,821	1%	724,048
17. RETAIL	297,440,893	2%	5,948,818
OTHER TAXABLE ACTIVITIES	16,056,669		140,893
TOTAL	$671,388,193		$11,654,135

Figures may not add to total due to rounding.

TABLE 29
TOTAL TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
IN GILA, GRAHAM, AND GREENLEE COUNTIES FOR THE PERIOD BEGINNING
JULY 1, 1984 AND ENDING JUNE 30, 1985

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	RATE	SALES TAX COLLECTED
4. UTILITIES	$135,040,352	1%	$ 1,350,404
5. COMMUNICATIONS	11,617,064	1%	116,171
9. PUBLISHING 10. PRINTING 18. ADVERTISING	3,960,263	1%	39,603
11. RESTAURANTS 23. PROTESTED RESTAURANTS	29,428,559	2%	588,571
12. AMUSEMENTS	1,781,526	2%	35,631
13. RENTALS OF REAL PROPERTY 25. BED TAX - HOTEL/MOTEL	11,509,824	2%	230,196
14. RENTALS OF PERSONAL PROPERTY	8,037,909	2%	160,758
15. CONTRACTING 24. PRE 5/84 CONTRACTING 26. PRIOR 7/01/74 CONTRACTING	29,220,480	1%	292,205
17. RETAIL	185,343,441	2%	3,706,869
OTHER TAXABLE ACTIVITIES	306,986,820	2%	4,547,160
TOTAL	$722,926,237		$11,067,567

Figures may not add to total due to rounding.

TABLE 30
TOTAL TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
IN MARICOPA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1984 AND ENDING JUNE 30, 1985

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	RATE	SALES TAX COLLECTED
4. UTILITIES	$ 1,606,047,645	1%	$ 16,060,475
5. COMMUNICATIONS	354,546,304	1%	3,545,463
9. PUBLISHING 10. PRINTING 18. ADVERTISING	634,442,142	1%	6,344,421
11. RESTAURANTS 23. PROTESTED RESTAURANTS	1,334,132,896	2%	26,682,658
12. AMUSEMENTS	134,342,400	2%	2,686,848
13. RENTALS OF REAL PROPERTY 25. BED TAX - HOTEL/MOTEL	1,088,637,154	2%	21,772,743
14. RENTALS OF PERSONAL PROPERTY	960,393,306	2%	19,207,866
15. CONTRACTING 24. PRE 5/84 CONTRACTING 26. PRIOR 7/01/74 CONTRACTING	2,518,602,714	1%	25,186,027
17. RETAIL	8,902,976,309	2%	178,059,526
OTHER TAXABLE ACTIVITIES	226,914,831		1,603,298
TOTAL	$17,761,035,699		$301,149,326

Figures may not add to total due to rounding.

TABLE 31
TOTAL TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
IN MOHAVE COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1984 AND ENDING JUNE 30, 1985

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	RATE	SALES TAX COLLECTED
4. UTILITIES	$ 62,949,060	1%	$ 629,491
5. COMMUNICATIONS	13,497,123	1%	134,971
9. PUBLISHING 10. PRINTING 18. ADVERTISING	7,780,967	1%	77,810
11. RESTAURANTS 23. PROTESTED RESTAURANTS	43,212,796	2%	864,256
12. AMUSEMENTS	2,075,636	2%	41,513
13. RENTALS OF REAL PROPERTY 25. BED TAX - HOTEL/MOTEL	30,982,963	2%	619,659
14. RENTALS OF PERSONAL PROPERTY	10,098,520	2%	201,970
15. CONTRACTING 24. PRE 5/84 CONTRACTING 26. PRIOR 7/01/74 CONTRACTING	49,044,958	1%	490,450
17. RETAIL	237,573,331	2%	4,751,467
OTHER TAXABLE ACTIVITIES	17,306,869		236,009
TOTAL	$474,522,221		$8,047,595

Figures may not add to total due to rounding.

TABLE 32
TOTAL TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
IN NAVAJO COUNTY FOR THE PERIOD BEGINNING

JULY 1, 1984 AND ENDING JUNE 30, 1985

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	RATE	SALES TAX COLLECTED
4. UTILITIES	$ 37,164,925	1%	$ 371,649
5. COMMUNICATIONS	8,920,444	1%	89,204
9. PUBLISHING 10. PRINTING 18. ADVERTISING	5,027,939	1%	50,279
11. RESTAURANTS 23. PROTESTED RESTAURANTS	25,323,807	2%	506,476
12. AMUSEMENTS	1,421,343	2%	28,427
13. RENTALS OF REAL PROPERTY 25. BED TAX - HOTEL/MOTEL	15,316,449	2%	306,329
14. PENTALS OF PERSONAL PROPERTY	3,917,250	2%	78,345
15. CONTRACTING 24. PRE 5/84 CONTRACTING 26. PRIOR 7/01/74 CONTRACTING	54,301,300	1%	543,013
17. RETAIL	141,955,123	2%	2,839,102
OTHER TAXABLE ACTIVITIES	(30,558,622)		(319,905)
TOTAL	$262,789,957		$4,492,920

Figures may not add to total due to rounding.

TABLE 33
TOTAL TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
IN PIMA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1984 AND ENDING JUNE 30, 1985

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	RATE	SALES TAX COLLECTED
4. UTILITIES	$ 498,646,072	1%	$ 4,986,461
5. COMMUNICATIONS	104,831,573	1%	1,048,316
9. PUBLISHING 10. PRINTING 18. ADVERTISING	113,619,224	1%	1,136,192
11. RESTAURANTS 23. PROTESTED RESTAURANTS	383,428,562	2%	7,668,571
12. AMUSEMENTS	62,702,825	2%	1,254,057
13. RENTALS OF REAL PROPERTY 25. BED TAX - HOTEL/MOTEL	267,278,731	2%	5,345,575
14. RENTALS OF PERSONAL PROPERTY	224,406,555	2%	4,488,131
15. CONTRACTING 24. PRE 5/84 CONTRACTING 26. PRIOR 7/01/74 CONTRACTING	619,040,909	1%	6,190,409
17. RETAIL	2,230,242,130	2%	44,604,843
OTHER TAXABLE ACTIVITIES	170,954,482		2,373,527
TOTAL	$4,675,151,064		$79,096,081

Figures may not add to total due to rounding.

TABLE 34
TOTAL TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
IN PINAL COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1984 AND ENDING JUNE 30, 1985

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	RATE	SALES TAX COLLECTED
4. UTILITIES	$102,270,841	1%	$ 1,022,708
5. COMMUNICATIONS	10,550,865	1%	105,509
9. PUBLISHING 10. PRINTING 18. ADVERTISING	7,291,746	1%	72,917
11. RESTAURANTS 23. PROTESTED RESTAURANTS	33,925,989	2%	678,520
12. AMUSEMENTS	2,637,646	2%	52,753
13. RENTALS OF REAL PROPERTY 25. BED TAX - HOTEL/MOTEL	12,917,656	2%	258,353
14. RENTALS OF PERSONAL PROPERTY	7,940,349	2%	158,807
15. CONTRACTING 24. PRE 5/84 CONTRACTING 26. PRIOR 7/01/74 CONTRACTING	41,804,079	1%	418,041
17. RETAIL	242,738,942	2%	4,854,779
OTHER TAXABLE ACTIVITIES	252,460,376		2,769,775
TOTAL	$714,538,488		$10,392,162

Figures may not add to total due to rounding.

TABLE 35
TOTAL TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
IN SANTA CRUZ COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1984 AND ENDING JUNE 30, 1985

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	RATE	SALES TAX COLLECTED
4. UTILITIES	$ 14,570,199	1%	$ 145,702
5. COMMUNICATIONS	4,080,891	1%	40,809
9. PUBLISHING 10. PRINTING 18. ADVERTISING	1,311,947	1%	13,119
11. RESTAURANTS 23. PROTESTED RESTAURANTS	13,699,987	2%	274,000
12. AMUSEMENTS	934,796	2%	18,696
13. RENTALS OF REAL PROPERTY 25. BED TAX - HOTEL/MOTEL	11,097,855	2%	221,958
14. RENTALS OF PERSONAL PROPERTY	2,754,281	2%	55,086
15. CONTRACTING 24. PRE 5/84 CONTRACTING 26. PRIOR 7/01/74 CONTRACTING	14,125,632	1%	141,256
17. RETAIL	101,273,082	2%	2,025,462
OTHER TAXABLE ACTIVITIES	861,849		6,544
TOTAL	$164,710,518		$2,942,631

Figures may not add to total due to rounding.

TABLE 36
TOTAL TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
IN YAVAPAI COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1984 AND ENDING JUNE 30, 1985

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	RATE	SALES TAX COLLECTED
4. UTILITIES	$ 72,482,008	1%	$ 724,820
5. COMMUNICATIONS	11,702,075	1%	117,021
9. PUBLISHING 10. PRINTING 18. ADVERTISING	8,458,843	1%	84,588
11. RESTAURANTS 23. PROTESTED RESTAURANTS	44,907,735	2%	898,155
12. AMUSEMENTS	2,432,379	2%	48,648
13. RENTALS OF REAL PROPERTY 25. BED TAX - HOTEL/MOTEL	22,556,368	2%	451,127
14. RENTALS OF PERSONAL PROPERTY	9,641,197	2%	192,824
15. CONTRACTING 24. PRE 5/84 CONTRACTING 26. PRIOR 7/01/74 CONTRACTING	58,772,362	1%	587,724
17. RETAIL	241,443,940	2%	4,828,879
OTHER TAXABLE ACTIVITIES	39,355,026		558,950
TOTAL	$511,751,931		$8,492,736

Figures may not add to total due to rounding.

TABLE 37
TOTAL TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
IN YUMA COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1984 AND ENDING JUNE 30, 1985

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	RATE	SALES TAX COLLECTED
4. UTILITIES	$ 71,232,654	1%	$ 712,327
5. COMMUNICATIONS	12,776,703	1%	127,767
9. PUBLISHING 10. PRINTING 18. ADVERTISING	20,935,233	1%	209,352
11. RESTAURANTS 23. PROTESTED RESTAURANTS	51,149,525	2%	1,022,990
12. AMUSEMENTS	3,238,191	2%	64,764
13. RENTALS OF REAL PROPERTY 25. BED TAX - HOTEL/MOTEL	25,205,922	2%	504,118
14. RENTALS OF PERSONAL PROPERTY	18,497,432	2%	369,949
15. CONTRACTING 24. PRE 5/84 CONTRACTING 26. PRIOR 7/01/74 CONTRACTING	107,473,848	1%	1,074,738
17. RETAIL	354,331,567	2%	7,086,631
OTHER TAXABLE ACTIVITIES	63,435,063		180,851
TOTAL	$728,276,136		$11,353,488

Figures may not add to total due to rounding.

TABLE 38
TOTAL TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
IN LA PAZ COUNTY FOR THE PERIOD BEGINNING
JULY 1, 1984 AND ENDING JUNE 30, 1985

TAXABLE ACTIVITIES AND BUSINESS CLASSIFICATIONS	NET TAXABLE INCOME REPORTED	RATE	SALES TAX COLLECTED
4. UTILITIES	$ 11,597,466	1%	$ 115,975
5. COMMUNICATIONS	2,669,870	1%	26,699
9. PUBLISHING 10. PRINTING 18. ADVERTISING	579,641	1%	5,796
11. RESTAURANTS 23. PROTESTED RESTAURANTS	8,131,112	2%	162,622
12. AMUSEMENTS	408,163	2%	8,163
13. RENTALS OF REAL PROPERTY 25. BED TAX - HOTEL/MOTEL	3,632,389	2%	72,648
14. RENTALS OF PERSONAL PROPERTY	1,496,301	2%	29,926
15. CONTRACTING 24. PRE 5/84 CONTRACTING 26. PRIOR 7/01/74 CONTRACTING	4,611,448	1%	46,114
17. RETAIL	34,855,286	2%	697,106
OTHER TAXABLE ACTIVITIES	933,780		8,476
TOTAL	$68,915,454		$1,173,525

Figures may not add to total due to rounding.

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